

Financial Status Report

Prepared by the Finance Department





March 31, 2012

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through March 31, 2012. It compares revenues and expenditures for the first nine months of Fiscal Year 2011-12 and Fiscal Year 2010-11. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

San Diego County Economic Indicators

January 2012			
 Index of Leading Economic Indicators	 Up 0.90%	 Local Stock Prices	 Up 1.07%
		 Local Consumer Confidence	 Up 1.93%
 Building Permits	 Down 0.55%	 Help Wanted Advertising	 Up 0.84%
 Unemployment Insurance	 Up 1.07%	 National Economy	 Up 0.82%

Source: University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators*, February 28, 2012.

According to the USD Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.9 percent in January. The advance was led by sharp increases in consumer confidence, initial claims for unemployment insurance, and local stock prices. Help wanted advertising and the outlook for the national economy were also up solidly. The only component that declined in January was building permits. After a stretch of six months that alternated between advancing and declining, the USD Index has now put together a modest streak of three straight up months.

January's solid advance means that the outlook for the local economy continues to be positive for most of 2012. One development that could slow the local economy is the recent surge in gas prices. Prices usually rise heading into the spring as refineries in California shift to producing the summer blend of gasoline, but the shutting down of a refinery combined with a big increase in the price of oil due to tensions with Iran has caused prices to hit record levels for February. There are three potential negative consequences of this price increase: First, consumer buying power is reduced. For every 10 cent increase in the price of a gallon of gas, \$8 million to \$10 million dollars a month is taken out of the local economy; consumers spend that much more on gasoline instead of other goods and services. Second, the prices of other goods increase due to higher shipping costs. Finally, consumer confidence is reduced (see below), which could lead to lower spending and a slowing of the economy.

After increasing by 56 percent in 2011, residential units authorized by building permits started 2012 very slowly. Multi-family units authorized were particularly weak after nearly tripling in 2011. For the fourth month in a row, both labor market variables were positive. January is usually the highest month of the year for initial claims for unemployment insurance. When seasonally adjusted, initial claims hit their lowest level since August 2008. On the hiring front, help wanted advertising rose for the 13th straight month and is up more than 20 percent when compared to January 2011. Positive news about the economy, particularly on employment, caused consumer confidence to surge in January. But that was before the recent spike in gasoline prices. It remains to be seen whether confidence can hold up in the wake of the gas price increase, as there has been a negative correlation between the two variables in the past. Local stock prices matched the rest of the financial markets and began the year on a strong note. Many San Diego companies are smaller ones listed on the NASDAQ, which has been particularly strong so far in 2012. The national Index of Leading Economic Indicators rose for the ninth consecutive month, suggesting continued growth in the national economy. While not spectacular, GDP growth is expected to be about 2 percent to 2.5 percent for the year, with the national economy expected to add about two million jobs in 2012.¹

Top General Fund Revenues



Property Taxes (\$29.0 million) – In December, the city began to see a much larger flow of property tax revenues. Property taxes reflect a 0.4 percent increase over Fiscal Year 2010-11. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have decreased by 0.41 percent for Fiscal Year 2011-12. This is the third year in a row that Carlsbad's assessed values have decreased from year to year. This reflects

the continuing countywide slowdown in property valuation and new construction, as well as an increase in foreclosures. The decrease in this year's assessed values was due entirely to a decrease in the valuation of commercial and industrial properties; residential assessed values actually increased by 2 percent for the year.

The primary reasons that property taxes for the first nine months of the new fiscal year have increased by 0.4 percent as compared to the prior fiscal year are:

¹ University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Up in January*, February 29, 2012.

- Current taxes are up by \$201,000 or 0.8 percent compared to last year due to timing differences.
- Aircraft taxes are down by \$172,000 due to one-time revenues received in the prior fiscal year.
- Supplemental taxes are down by \$22,000 due to timing differences.
- Payments for previous years' taxes are up by \$55,000 due to an increase in collections of past due tax bills.
- Unitary taxes are up by \$51,000 due to an increase in assessed values by the state as well as a higher allocation percentage given to the City of Carlsbad.



Sales Taxes (\$19.5 million) – For the first nine months of the new fiscal year, sales tax revenues are \$1.7 million (or 9 percent) higher than the same time period in the previous fiscal year. Sales tax revenues for the year represent the actual sales tax receipts for the second, third and fourth quarters of the calendar year, as well as the first advance of the city's first calendar quarter sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy. The primary factors in the increase over the prior fiscal year is the result of a 14.4 percent increase in sales tax revenues during the second calendar quarter of 2011, a 4.3 percent increase in sales tax revenues during the third calendar quarter of 2011, a 7.7 percent increase in sales tax revenues during the fourth calendar quarter of 2011, a 5.8 percent growth in the semi-annual "Triple Flip" payment, and the State Board of Equalization applying a positive 15.6 percent growth factor to the monthly advances for the first calendar quarter.

For sales occurring in the fourth calendar quarter of 2011 (the most recent data available), key gains could be seen in new auto sales, apparel stores, recreation products and furniture/appliance stores. During the same period, key declines could be seen in office equipment, electronic equipment and business services. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were up 10.8 percent for sales occurring in the 12 months ended December 31, 2011 over the same 12-month period last year.

The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 63 percent of the city's sales tax revenues.



Transient Occupancy Tax (\$9.5 million) – Transient Occupancy Taxes (TOT) for the first nine months of the fiscal year reflect an increase of \$987,000, 12 percent more than the previous year. Both higher occupancy and room rates throughout most of the city's hotels accounted for this variance. In addition, one of the city's larger hotels was undergoing a major renovation at this time last year. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of February 2012.

Currently, there are 3,608 hotel rooms and 991 vacation rentals (timeshares) in the city. The average occupancy of hotel rooms over the most recent 12 months has been 61 percent, four percentage points above last year's average.



Business License Tax (\$2.8 million) – Business license revenues are up \$90,000 compared to Fiscal Year 2010-11. This increase is due mainly to an overall increase in license renewals, indicating that business volumes throughout the city are rising. Additionally, one of the city's larger companies realized a 15 percent increase over the prior year.

There are currently 8,820 licensed businesses operating within the city, 12 more than the prior year. The majority of taxed businesses (6,181 businesses) are located in Carlsbad, with 2,533 of these businesses home-based.



Interdepartmental Charges (\$2.7 million) – Interdepartmental charges are \$467,000, or 21 percent higher than last year. These charges are generated through engineering services charged to capital projects (up 5 percent or \$30,000), reimbursed work from other funds (up 100 percent or \$6,000) and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (up 26 percent or \$431,000). In the previous fiscal year, the

city charged miscellaneous interdepartmental expenses based on guidelines used for federal grant reimbursement, which did not allocate the expenses for all services performed by the General Fund. In Fiscal Year 2011-12, the city changed the method for calculating the costs of services provided by the General Fund to other funds. This new method will more accurately allocate all costs, including those associated with legislative services.



Franchise Taxes (\$2.2 million) – Franchise taxes are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Year-to-date franchise taxes are up \$26,000 over the same period last year. Relatively flat trash collection revenue, a 2 percent increase in fiber optic antenna system revenues, and a 1.6 percent increase in cable television franchise revenues (Time Warner and AT&T), created the positive variance for the year.

Approximately 35 percent of the total franchise fee revenue anticipated for the year will be collected from SDG&E during the month of April 2012.



Ambulance Fees (\$2 million) – The city bills any individual who is transported in one of the city's ambulances. Through March 2012, receipts from ambulance fees are up 3 percent or \$60,000 higher than last fiscal year at this time. The number of billable transported patients in the first nine months of Fiscal Year 2011-12 (3,482) versus Fiscal Year 2010-11 (3,292) has increased moderately as reflected in the higher revenues to date.



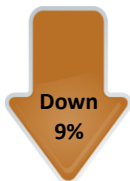
Development-Related Revenues (\$1.9 million) – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a modest increase for the year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. One of the largest development related revenue sources thus far in the year is engineering plan check fees, which is one of the first fees paid during the initial stages of development. Some of the activity in March included the development of the La Costa Town Square shopping center, the La Costa Bluffs apartment complex, the Legoland hotel and the new Pizza Port facility in Bressi Ranch.

Another source of development related revenue is building permits, which are up 4 percent as compared to last fiscal year. The increase in building permit revenue is derived from the combination of a decrease in the valuation of new construction netted with an increase in the number of residential building permits issued, partially offset by the fact that industrial and commercial development has decreased thus far in the fiscal year. The year-to-date valuation of new construction in the current fiscal year is just under \$127.3 million, while it was just under \$132.3 million in the previous fiscal year, a 3.8 percent decrease. The pace of residential development increased slightly in the month of March as builders pulled permits for 27 homes. Contractors will build 18 of the new dwelling units in the southeast quadrant, which includes 12 single-family homes as part of the Mirasol neighborhood in La Costa Greens and a six unit apartment complex in La Costa Bluffs. In the northeast quadrant, four permits were issued for detached air-space condominiums as part of the Sago neighborhood in Robertson Ranch. Contractors will build four new single-family homes in the southwest quadrant in the Tides development. Finally, in the northwest quadrant, one permit

was issued for a second-dwelling unit. For the first nine months of the fiscal year, 270 residential permits were issued, as compared to 191 permits issued during the same period last year.

For the month of March, two permits were issued in the city for new commercial space. A permit was issued for 560 square feet of new commercial space for the BOXD restaurant in the downtown village area of Carlsbad. Another permit was issued for a 960 square foot recreation facility in the La Costa Condominium development. Year-to-date there has been 168,402 square feet of commercial/industrial permits issued, as compared to 498,039 square feet at this time in Fiscal Year 2010-11.



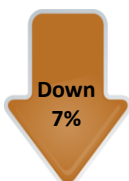
Income from Investments and Property (\$1.7 million) – For the year, income from investments and property is down \$173,000 compared to the previous fiscal year.

Interest income is down for the year due to the net effect of a 7.5 percent increase in the average daily cash balance combined with a 17 percent decrease in the average yield on the portfolio for the year (a drop in the yield from 2.076 percent last fiscal year to 1.724 percent in the current fiscal year). In addition, the General Fund prepaid the employer PERS contribution for the whole year for the entire city (versus on a bi-weekly basis as in previous years). This has reduced the interest earnings in the General Fund by approximately \$130,000 for the first nine months of the fiscal year.

Income from property rentals is up by \$14,000 for the year primarily due to the rental of the parking lot at the Westfield Mall and higher facility rental revenues at most of the city's recreational facilities.



Other Revenue Sources (\$1.3 million) – Other revenue sources have increased by \$508,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; miscellaneous reimbursed expenses and refunds of prior year fees. A major factor in the increase in revenues in the current fiscal year is a reduction in prior year fee refunds, a large donation received from the Margaret Brownley Trust and an increase in reimbursements for the cost of special studies for developers (Quarry Creek, Dos Colinas and Westfield Mall).

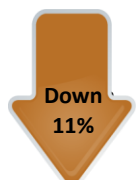


Recreation Fees (\$1.2 million) – Recreation fees are generated through instructional classes, camps, youth and adult sports, the triathlon, special events, parent participation preschool, senior programs, various aquatic programs, and lagoon permits. The Parks & Recreation Department program revenues continue to be impacted by a slow economic recovery. Revenue is trending slightly lower due to a decrease in enrollments across all program categories. We anticipate that the revenue will gradually improve once the

summer camp registrations are complete. Summer is a time when demand for diverse access to recreation and active, healthy lifestyles is at its peak.



Other Licenses and Permits (\$701,000) – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity.

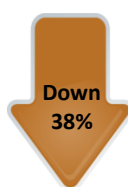


Fines and Forfeitures (\$640,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The largest factor in the decrease in revenues is the fact that in November of 2010, the city received an additional payment from the traffic court for

code violations. This payment represented additional revenues collected in prior years but had not yet been remitted to the city.



Transfer Taxes (\$551,000) – When real property is sold, the County Assessor’s Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Year-to-date revenues have increased moderately. A major factor in this increase was the sale of the Forum shopping center in the southwest quadrant of the city.



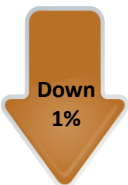
Other Intergovernmental Revenues (\$521,000) – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$521,000 received this year are reimbursements for Peace Officer Standards and Training (POST), state library grants, federal senior nutrition grants, state mandated costs reimbursements, reimbursement from local school districts for school resource officers, a habitat restoration grant, and law enforcement assistance.

Major factors in this year’s decrease include the timing of the payments received from the school districts and a federal grant received in the prior fiscal year enhancing security along the border.

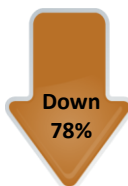


Other Charges or Fees (\$482,000) – Other charges and fees are generated through the sale of city documents such as agenda bills, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services such as mutual aid response, mall police services, emergency response services, reports, etc. An increase in abandoned vehicle fees and mutual aid response service revenues has led to the higher revenues for the

year.



Homeowners’ Exemptions (\$184,000) – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The state then reimburses the city for this mandated exemption. This reimbursement is entitled Homeowners’ Exemption revenue and is shown under intergovernmental revenues. Timing differences account for this year’s variance.



Vehicle License Fees (\$53,000) – Vehicle License Fees (VLF) have decreased by 78 percent over Fiscal Year 2010-11 figures. The California Constitution requires the proceeds of 0.65 percent (this is the tax rate imposed on vehicles) of VLF to go to cities and counties only and prohibits the legislature from directing that the funds be used to pay for new state mandates on local government after 2010. Seventy-five percent of the revenues from the 0.65 percent VLF are transferred to the state’s Local Revenue

Fund to pay counties for various health and welfare services. Under the law through Fiscal Year 2010-11, the state Department of Motor Vehicles takes about 65 percent of the remaining funds for administrative charges, leaving the remainder for cities and counties. As part of the 2009 state budget agreement, a number of law enforcement grant programs that were previously funded by the state General Fund were instead funded by a 0.15 percent state VLF increase. This temporary VLF increase expired on July 1, 2011. With the adoption of the Fiscal Year 2011-12 state budget, the governor has taken away the portion of VLF previously given to counties and cities to be used to fund these law enforcement grant programs. This “take away” from local government is being challenged in the court system due to the passing of Proposition 22 that protects local government revenues.

The revenues received in the current fiscal year represent a retroactive clean-up payment received by the city for prior fiscal years.

Expenditures

Total General Fund expenditures and encumbrances through the month of March 2012 are \$86.9 million, compared to \$84.9 million at the same time last year. This leaves \$48.7 million, or 35.9 percent, available through the fiscal year-end on June 30, 2012. If funds were spent in the same proportion as the previous year, the General Fund would have 36.5 percent available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at March 31, 2012 is 31.9 percent, slightly more than the 31.1 percent available at March 31, 2011. The adopted General Fund budget for Fiscal Year 2011-12 increased by \$2 million due to the following factors:

- \$1.4 million additional transfer to the city's municipal golf course to assist with debt service and operations for the year
- \$500,000 in additional transfers to the city's Infrastructure Replacement Fund and lighting and landscaping districts
- \$300,000 in previously negotiated salary and benefit increases
- \$110,000 for the replacement of three portable EKG machines for emergency services
- \$315,000 reduction in PERS expenses due to recently completed labor negotiations

The City Council has allocated \$500,000 out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of March 31, 2012, \$87,878 has been authorized out of the contingency account, as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
ADOPTED BUDGET	\$500,000		
USES:			
"In Kind" Service Assistance for the Friends of Cardiff and Carlsbad State Beach	(110)	07/01/2011	City Manager
"In Kind" Service Assistance for the Real Living Lifestyles 2011 Day Fair	(330)	07/19/2011	City Manager
Donation for the Real Living Lifestyles 2011 Day Fair	(3,965)	07/19/2011	City Manager
Special Events Grant for the Carlsbad Music Festival	(10,000)	09/13/2011	2011-219
"In Kind" and Cash Assistance for the Agua Hedionda Lagoon Foundation Special Event	(10,000)	10/11/2011	2011-231
Winning Teams Grant for the Carlsbad Softball Association	(13,000)	10/11/2011	2011-245
Winning Teams Grant for the La Costa Canyon Pop Warner Cheer Squad	(5,000)	12/13/2011	2011-289
"In Kind" and Cash Assistance for the Mitchell Thorp Foundation Walk/Run	(1,373)	01/18/2012	City Manager
Development of a Professional Strategic Plan for the City's Real Property Assets	(40,000)	01/24/2012	2011-020
Winning Teams Grant for the Carlsbad High School Xcalibur Dance Team	(4,100)	01/24/2012	2012-024
TOTAL USES	<u>(87,878)</u>		
AVAILABLE BALANCE	<u><u>\$412,122</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 03/31/12	ACTUAL FY 2011 AS OF 03/31/11	ACTUAL FY 2012 AS OF 03/31/12	CHANGE FROM YTD 2011 TO YTD 2012	PERCENT CHANGE
TAXES					
PROPERTY TAX	\$28,761,753	\$28,843,092	\$28,956,461	\$113,369	0%
SALES TAX	18,296,264	17,820,615	19,485,750	1,665,135	9%
TRANSIENT TAX	8,840,116	8,545,083	9,532,129	987,046	12%
FRANCHISE TAX	2,202,695	2,211,034	2,236,951	25,917	1%
BUSINESS LICENSE TAX	2,635,982	2,733,977	2,823,996	90,019	3%
TRANSFER TAX	606,281	513,774	550,591	36,817	7%
TOTAL TAXES	61,343,090	60,667,575	63,585,878	2,918,303	5%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	163,162	244,882	52,838	(192,044)	-78%
HOMEOWNERS EXEMPTIONS	191,511	186,483	184,215	(2,268)	-1%
OTHER	718,510	836,042	520,612	(315,430)	-38%
TOTAL INTERGOVERNMENTAL	1,073,184	1,267,407	757,665	(509,742)	-40%
LICENSES AND PERMITS					
BUILDING PERMITS	442,338	565,884	587,597	21,713	4%
OTHER LICENSES & PERMITS	553,466	589,054	700,704	111,650	19%
TOTAL LICENSES & PERMITS	995,804	1,154,938	1,288,301	133,363	12%
CHARGES FOR SERVICES					
PLANNING FEES	94,723	145,277	256,286	111,009	76%
BUILDING DEPARTMENT FEES	428,004	520,685	484,919	(35,766)	-7%
ENGINEERING FEES	489,539	569,855	535,675	(34,180)	-6%
AMBULANCE FEES	1,868,537	1,893,377	1,953,225	59,848	3%
RECREATION FEES	1,261,605	1,297,052	1,207,000	(90,052)	-7%
OTHER CHARGES OR FEES	335,314	411,341	482,202	70,861	17%
TOTAL CHARGES FOR SERVICES	4,477,723	4,837,587	4,919,307	81,720	2%
FINES AND FORFEITURES	732,708	718,264	640,476	(77,788)	-11%
INCOME FROM INVESTMENTS & PROPERTY	1,853,842	1,880,515	1,708,011	(172,504)	-9%
INTERDEPARTMENTAL CHARGES	2,701,066	2,266,874	2,733,602	466,728	21%
OTHER REVENUE SOURCES	1,228,521	840,274	1,347,798	507,524	60%
TRANSFERS IN	0	4,028	0	(4,028)	-100%
TOTAL GENERAL FUND	\$74,405,939	73,637,462	\$76,981,038	\$3,343,576	5%
(1)					
(1) Calculated General Fund revenues are 3.1% above estimates as of March 31, 2012.					

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT				
DEPT DESCRIPTION	TOTAL BUDGET FY 2011-12	AS OF 03/31/12		
		AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE*
POLICY/LEADERSHIP GROUP				
CITY COUNCIL	\$409,680	\$239,527	\$170,153	41.5%
CITY MANAGER	1,766,994	1,123,449	643,545	36.4%
COMMUNICATIONS	815,832	615,991	199,841	24.5%
CITY CLERK	169,211	88,075	81,136	47.9%
CITY ATTORNEY	1,393,458	926,233	467,225	33.5%
CITY TREASURER	216,343	136,051	80,292	37.1%
RECORDS MANAGEMENT	779,370	528,880	250,490	32.1%
TOTAL POLICY/LEADERSHIP	5,550,888	3,658,206	1,892,682	34.1%
INTERNAL SERVICES				
FINANCE	3,981,805	2,567,247	1,414,558	35.5%
HUMAN RESOURCES	2,948,905	1,877,487	1,071,418	36.3%
PROPERTY AND ENVIRONMENTAL MANAGEMENT	5,973,202	4,457,041	1,516,161	25.4%
TOTAL INTERNAL SERVICES	12,903,912	8,901,775	4,002,137	31.0%
PUBLIC SAFETY				
POLICE	28,132,090	20,382,437	7,749,653	27.5%
FIRE	17,346,877	12,230,081	5,116,796	29.5%
TOTAL PUBLIC SAFETY	45,478,967	32,612,518	12,866,449	28.3%
COMMUNITY DEVELOPMENT				
COMMUNITY AND ECONOMIC DEVELOPMENT	9,773,397	6,563,694	3,209,703	32.8%
HOUSING AND NEIGHBORHOOD SERVICES	613,568	410,790	202,778	33.0%
TOTAL COMMUNITY DEVELOPMENT	10,386,965	6,974,484	3,412,481	32.9%
COMMUNITY SERVICES				
PARKS AND RECREATION	15,182,127	9,588,960	5,593,167	36.8%
LIBRARY AND ARTS	11,466,815	7,618,335	3,848,480	33.6%
TOTAL COMMUNITY SERVICES	26,648,942	17,207,295	9,441,647	35.4%
PUBLIC WORKS				
TRANSPORTATION	10,807,151	6,770,497	4,036,654	37.4%
UTILITIES	304,593	194,731	109,862	36.1%
TOTAL PUBLIC WORKS	11,111,744	6,965,228	4,146,516	37.3%
NON-DEPARTMENTAL & CONTINGENCY				
OTHER NON-DEPARTMENTAL (a)	13,384,916	1,053,406	12,331,510	92.1%
TRANSFERS OUT	9,714,592	9,499,592	215,000	2.2%
CONTINGENCY	412,122	0	412,122	100.0%
TOTAL NON-DEPT & CONTINGENCY	23,511,630	10,552,998	12,958,632	55.1%
TOTAL GENERAL FUND	\$135,593,048	\$86,872,504	\$48,720,544	35.9%
(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.				
(b) Total committed includes expenditures and encumbrances.				
* Amount available would be 36.5% if funds were spent in the same proportion as the previous year.				

Water Enterprise

WATER OPERATIONS FUND MARCH 31, 2012					
	BUDGET FY 2011-12	YTD (*) 3/31/2011	YTD (*) 3/31/2012	CHANGE FROM YTD 2010-11 TO YTD 2011-12	PERCENT CHANGE
REVENUES:					
WATER DELIVERY	27,846,968	18,503,670	21,843,884	3,340,214	18.1%
MISC. SERVICE CHARGES	213,000	190,093	200,824	10,731	5.6%
PROPERTY TAXES	2,975,000	1,655,318	1,661,206	5,888	0.4%
FINES, FORFEITURES & PENALTIES	257,000	210,534	228,905	18,371	8.7%
OTHER REVENUES	368,300	3,393,305	284,654	(3,108,651)	-91.6%
TOTAL OPERATING REVENUE	31,660,268	23,952,920	24,219,473	266,553	1.1%
EXPENSES:					
STAFFING	3,418,467	2,480,656	2,525,510	44,854	1.8%
INTERDEPARTMENTAL SERVICES	1,977,786	1,430,592	1,472,370	41,778	2.9%
PURCHASED WATER	14,000,000	9,340,357	10,643,175	1,302,818	13.9%
MWD/CWA FIXED CHARGES	5,085,511	3,208,303	3,814,133	605,830	18.9%
OUTSIDE SERVICES/MAINTENANCE	887,524	521,838	276,486	(245,352)	-47.0%
DEPRECIATION/REPLACEMENT	4,193,000	2,976,000	3,144,750	168,750	5.7%
CAPITAL OUTLAY	24,298	0	0	0	0.0%
MISCELLANEOUS EXPENSES	2,124,832	1,331,433	543,666	(787,767)	-59.2%
TOTAL OPERATING EXPENSES	31,711,418	21,289,179	22,420,090	1,130,911	5.3%
OPERATING INCOME/(LOSS)	(51,150)	2,663,741	1,799,383	(864,358)	-32.4%
(*) Adjusted to reflect timing differences for water purchases and depreciation.					

Revenues

- The increase in water delivery revenues is the net result of a combination of a 4.5 percent increase in the number of water units sold and an average 10 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2012.
- An increase in new account charges and same day turn on fees are reflected in higher miscellaneous service charges.
- Higher fines, forfeitures and penalties are the result of an increase in late charges and door hanger fees due to rate increases that have occurred over the past couple of years.
- The decrease in other revenues is the result of a reimbursement received by the Enterprise last fiscal year from the Marbella lawsuit.

Expenses

- The increase in staffing costs is the result of increased health insurance and PERS rates.
- Although the amount of purchased water has only increased slightly (approximately 4.7 percent), an 8 percent rate increase in the cost of water purchased from the SDCWA is the primary driver in this variance.
- In addition to the purchased water cost increase, the fixed costs from MWD and CWA continue to increase significantly on an annual basis.
- A reduction in expenses related to meter replacements is reflected in lower outside services/maintenance and miscellaneous expenses.

Outlook

Currently, the operating results for the Enterprise reflect a year-to-date gain of \$1.8 million. Higher water delivery revenues due to a rate increase and lower expenditures due to a reduction in new automated meter replacements, have led to this gain for the year. Based on activity to date, it is projected that the Enterprise will have a surplus between \$1.5 and \$2.5 million by the end of the fiscal year.

Wastewater Enterprise

WASTEWATER OPERATIONS FUND MARCH 31, 2012					
	BUDGET FY 2011-12	YTD (*) 3/31/2011	YTD (*) 3/31/2012	CHANGE FROM YTD 2010-11 TO YTD 2011-12	PERCENT CHANGE
REVENUES:					
CHARGES FOR CURRENT SERVICES	10,835,614	7,306,486	8,072,268	765,782	10.5%
INTEREST	0	(3,765)	10,297	14,062	373.5%
OTHER REVENUES	266,000	202,817	253,179	50,362	24.8%
TOTAL OPERATING REVENUE	11,101,614	7,505,538	8,335,744	830,206	11.1%
EXPENSES:					
STAFFING	2,128,587	1,538,672	1,365,061	(173,611)	-11.3%
INTERDEPARTMENTAL SERVICES	1,084,268	627,267	795,148	167,881	26.8%
ENCINA PLANT SERVICES	3,159,311	2,330,273	2,369,484	39,211	1.7%
OUTSIDE SERVICES/MAINTENANCE	590,302	176,077	162,755	(13,322)	-7.6%
DEPRECIATION/REPLACEMENT	3,630,000	1,669,700	2,722,500	1,052,800	63.1%
CAPITAL OUTLAY	0	0	9,425	9,425	100.0%
MISCELLANEOUS EXPENSES	534,037	378,348	314,396	(63,952)	-16.9%
TOTAL OPERATING EXPENSES	11,126,505	6,720,337	7,738,769	1,018,432	15.2%
OPERATING INCOME/LOSS	(24,891)	785,201	596,975	(188,226)	-24.0%

(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.

Revenues

- The increase in charges for current services is primarily the result of an additional 2,210 new residential account fees over the past 12 months, as well as a 6.5 percent rate increase that went into effect in January 2012.
- Interest revenue is the combination of interest earnings on the cash balance in the fund as well as earnings on the debt service reserve. Although the earnings on the debt service reserve are relatively flat for the year, a large increase in the average daily cash balance in the fund partially offset by a 17 percent decrease in the yield on the Treasurer's portfolio for the year has created this year's variance.

Expenses

- The elimination of one position and the vacancy of an additional position in the Enterprise have reduced staffing expenses for the year.
- Additional interdepartmental charges are the result of an updated cost allocation plan that was completed in the prior fiscal year.
- Encina plant services to date are an estimate of the annual Encina expense prorated on a monthly basis.
- The large increase in depreciation expense is a result of a one-time depreciation adjustment made in the prior fiscal year (a reduction in the expense) related to the Encina plant assets.
- Prior year purchases of parts and pumps for sewer lift stations as well as parts for the vactor and CCTV van are reflected in the reduction in miscellaneous expenses.

Outlook

Currently, the operating results for the Enterprise reflect year-to-date net income of \$596,975. Based on activity to date, it is anticipated that the Enterprise will end the year with operating income over operating expenses between a break even and a positive \$500,000. This is due to projected higher revenues in the second half of the fiscal year from a 6.5 percent rate increase that went into effect in January 2012.